

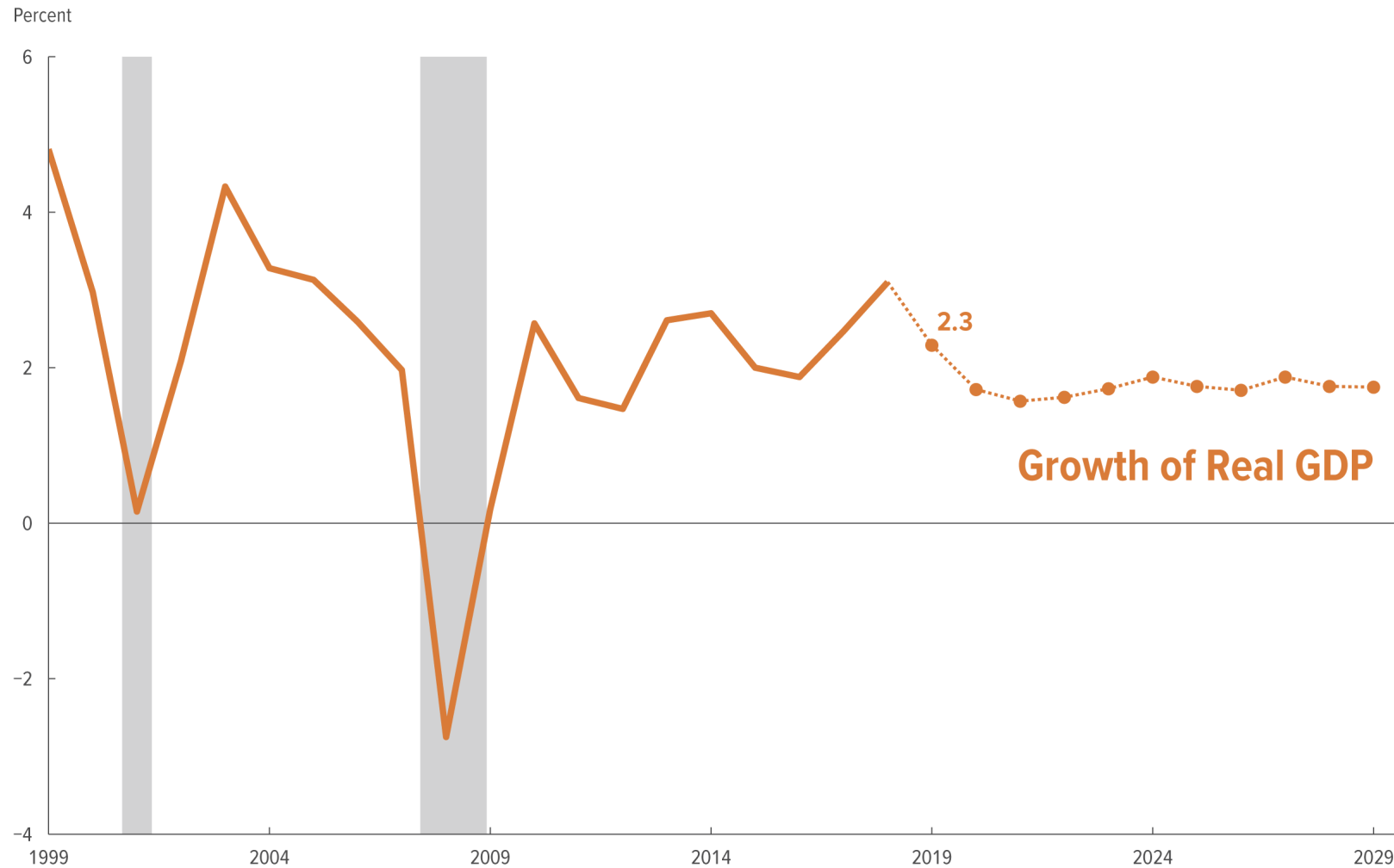


CONGRESSIONAL BUDGET OFFICE

# **The Economic Outlook for 2019 to 2029 in 21 Slides**

February 2019

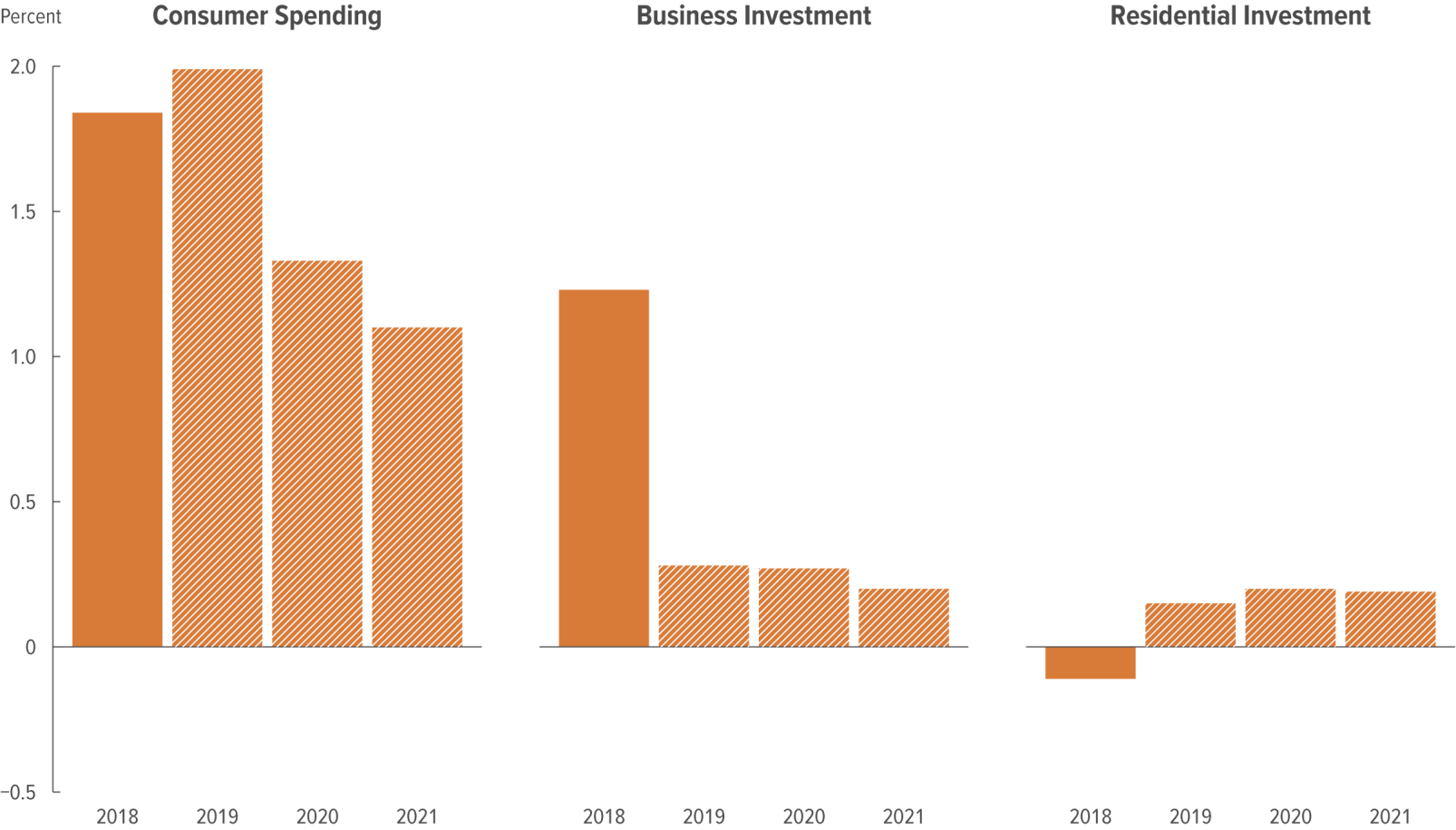
**Output**



After growing by an estimated 3.1 percent in 2018, real (inflation-adjusted) gross domestic product (GDP) is projected to grow by 2.3 percent this year and more slowly thereafter.

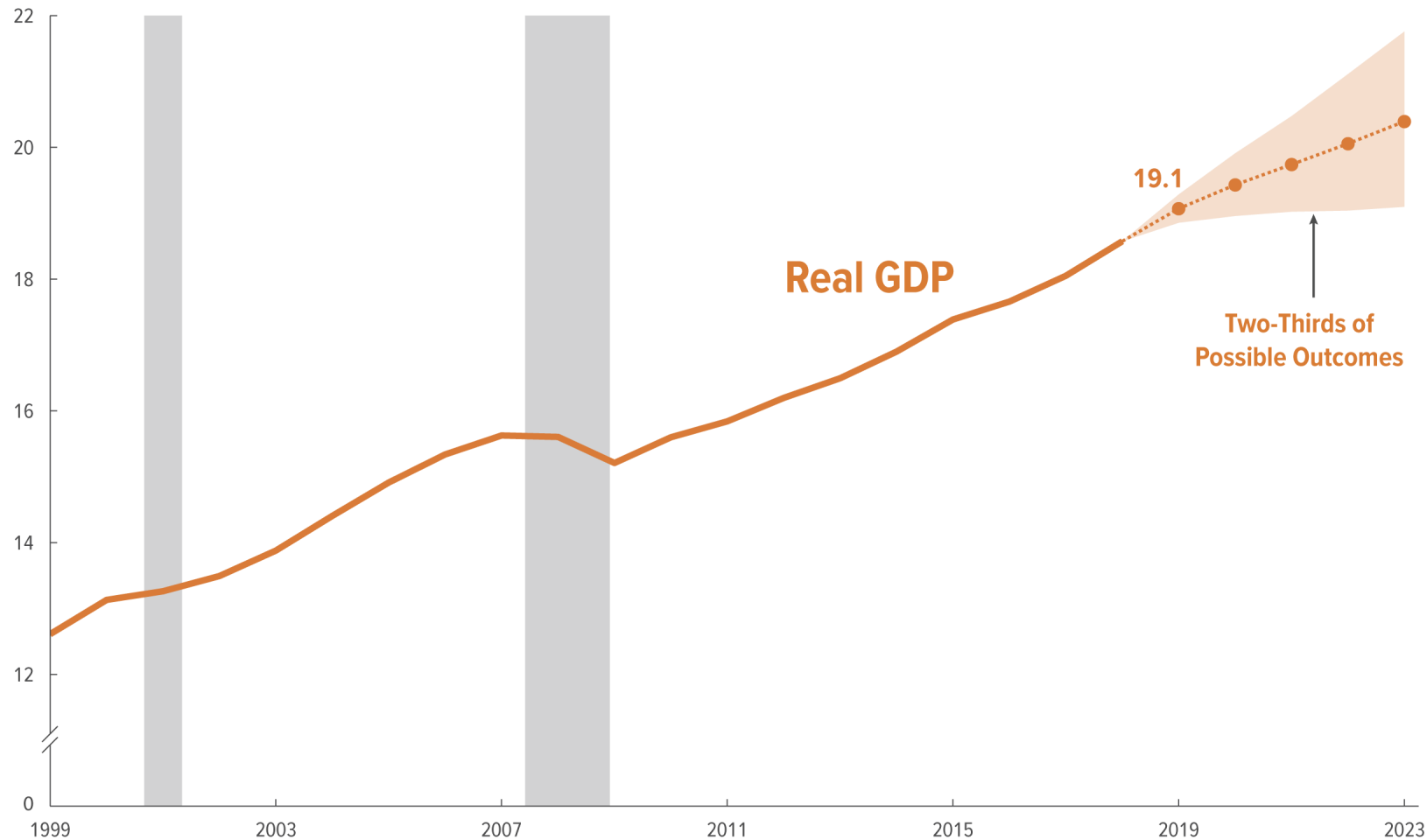
Shaded vertical bars indicate periods of recession.

# Contributions to the Growth of Real GDP



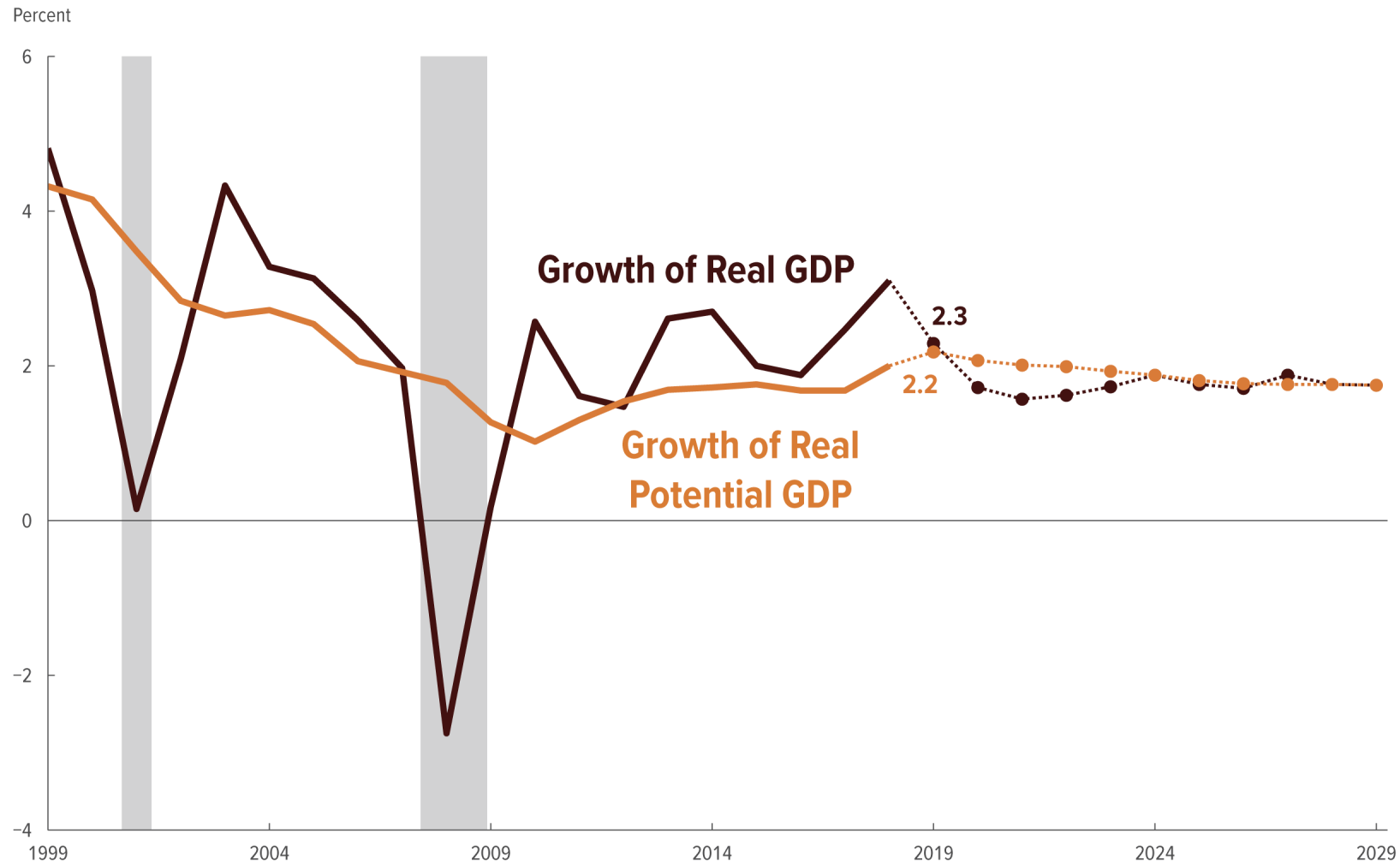
The largest contributors to the growth of real GDP in 2019 are consumer spending, business investment, and residential investment.

Trillions of 2012 Dollars



In CBO's baseline projections, real GDP grows at an average annual rate of 1.9 percent over the 2019–2023 period; there is a roughly two-thirds chance that the growth will be between 0.6 percent and 3.2 percent.

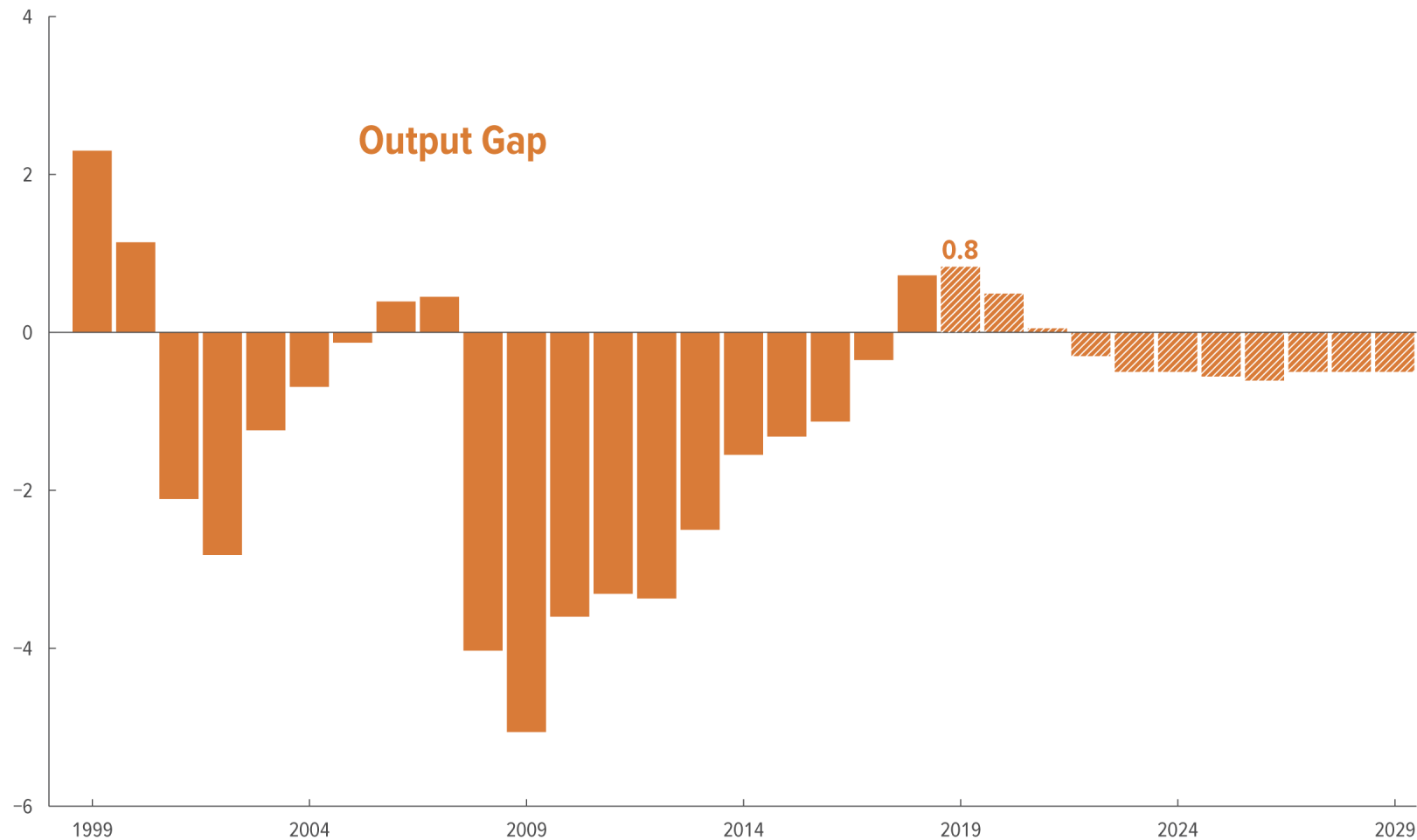
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The growth of real GDP exceeds the growth of potential GDP this year, but then it slows and eventually stabilizes at the growth rate of potential (that is, maximum sustainable) GDP near the end of the projection period.

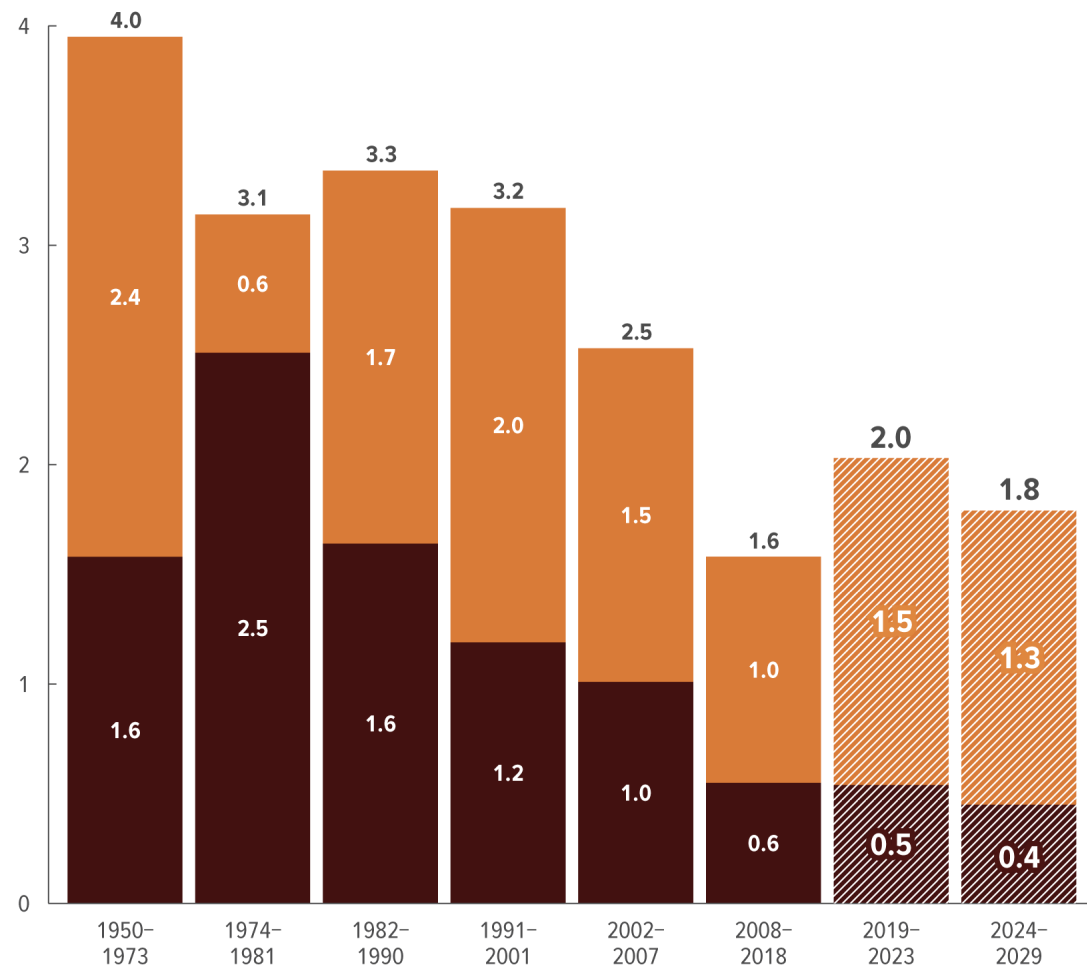
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Percentage of Potential GDP



This year's growth builds on last year's strong demand for goods and services, pushing GDP 0.8 percent above potential GDP this year. The difference between actual and potential GDP, known as the output gap, is projected to return to its historical average of roughly -0.5 percent in later years.

Percent



## Growth of Potential GDP

=

Growth of Potential Labor Force Productivity

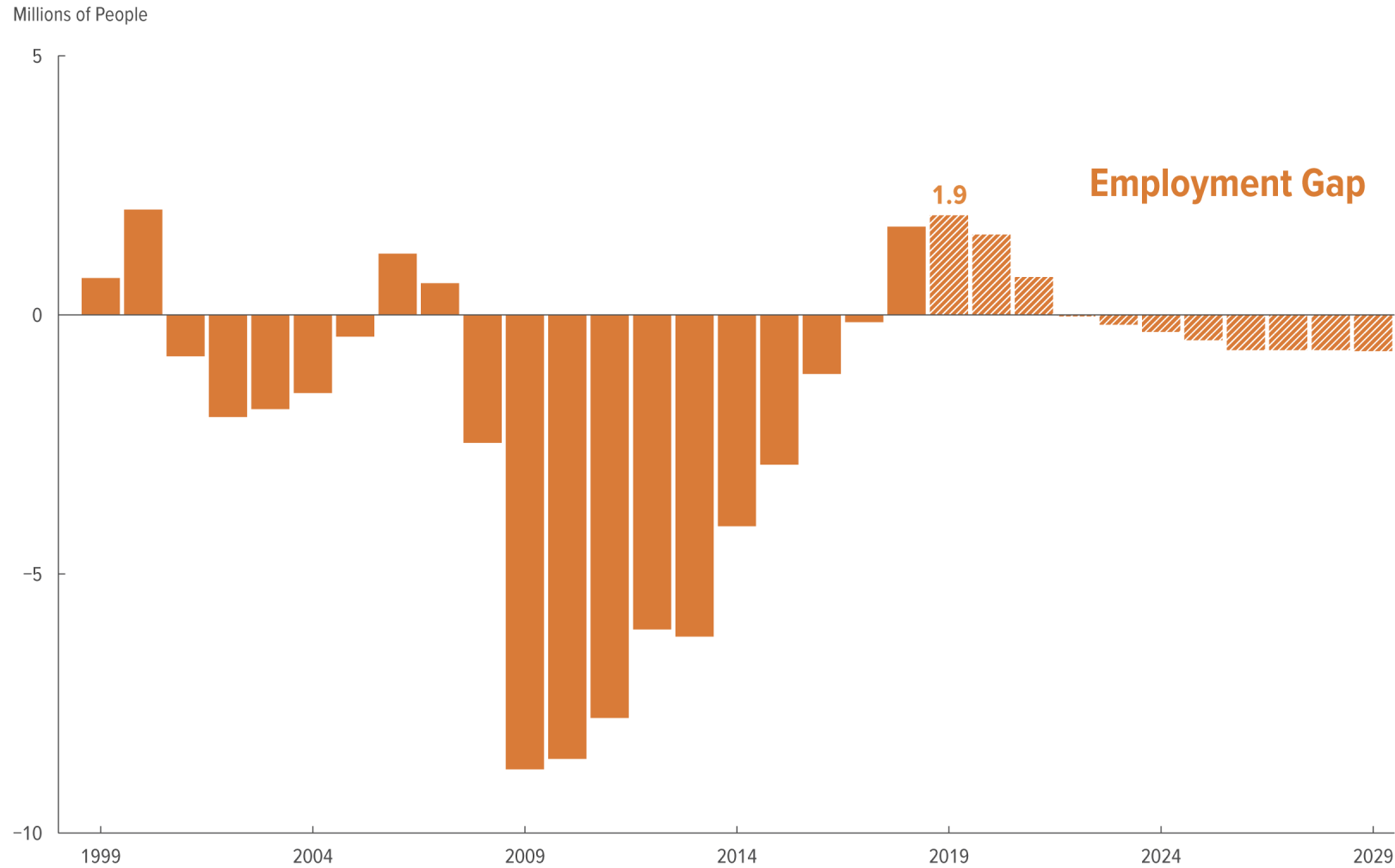
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Growth of the Potential Labor Force

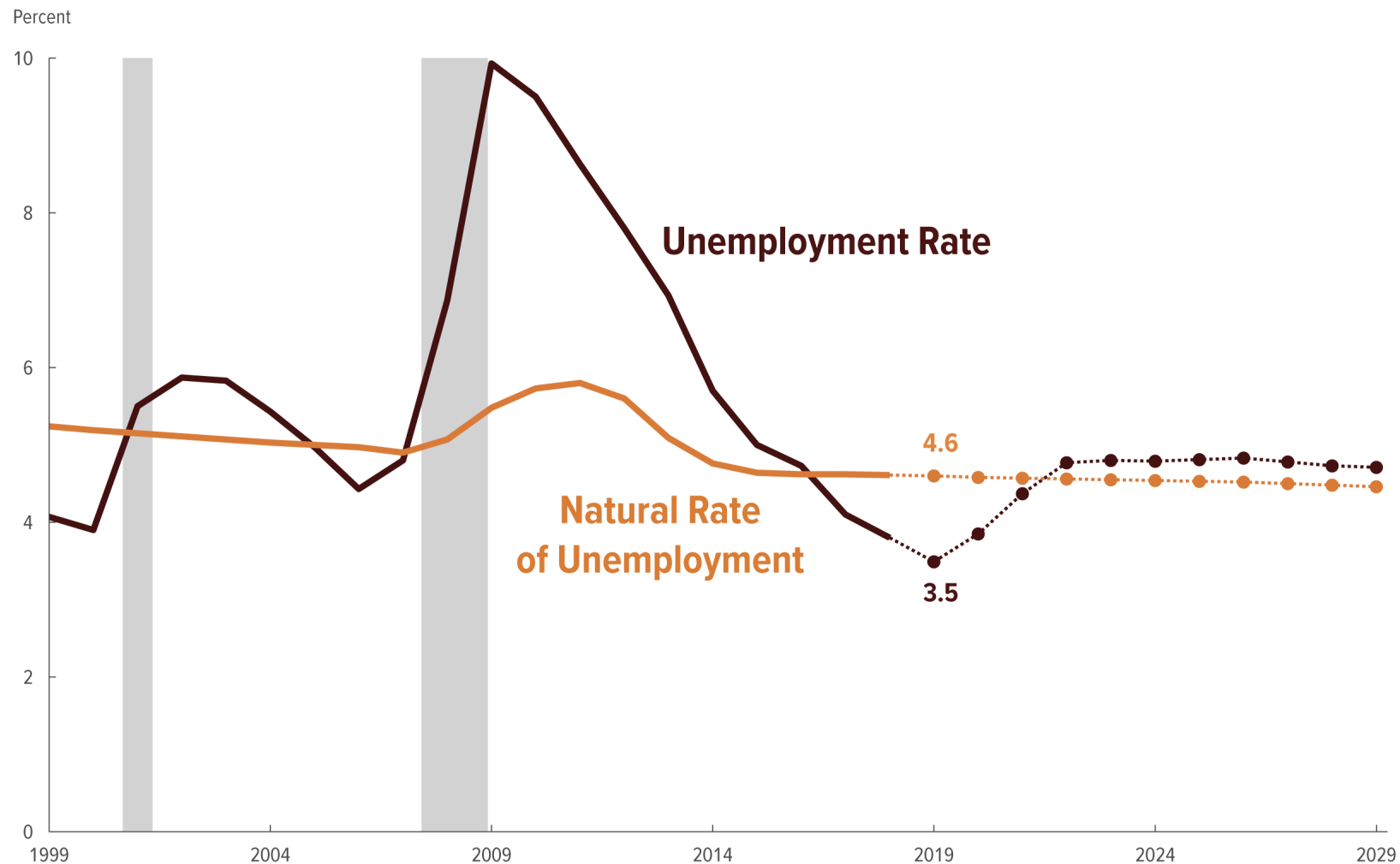
In the coming decade, the growth of real potential GDP is projected to be faster than it has been since 2008 but slower than it was in previous periods.



# **The Labor Market**

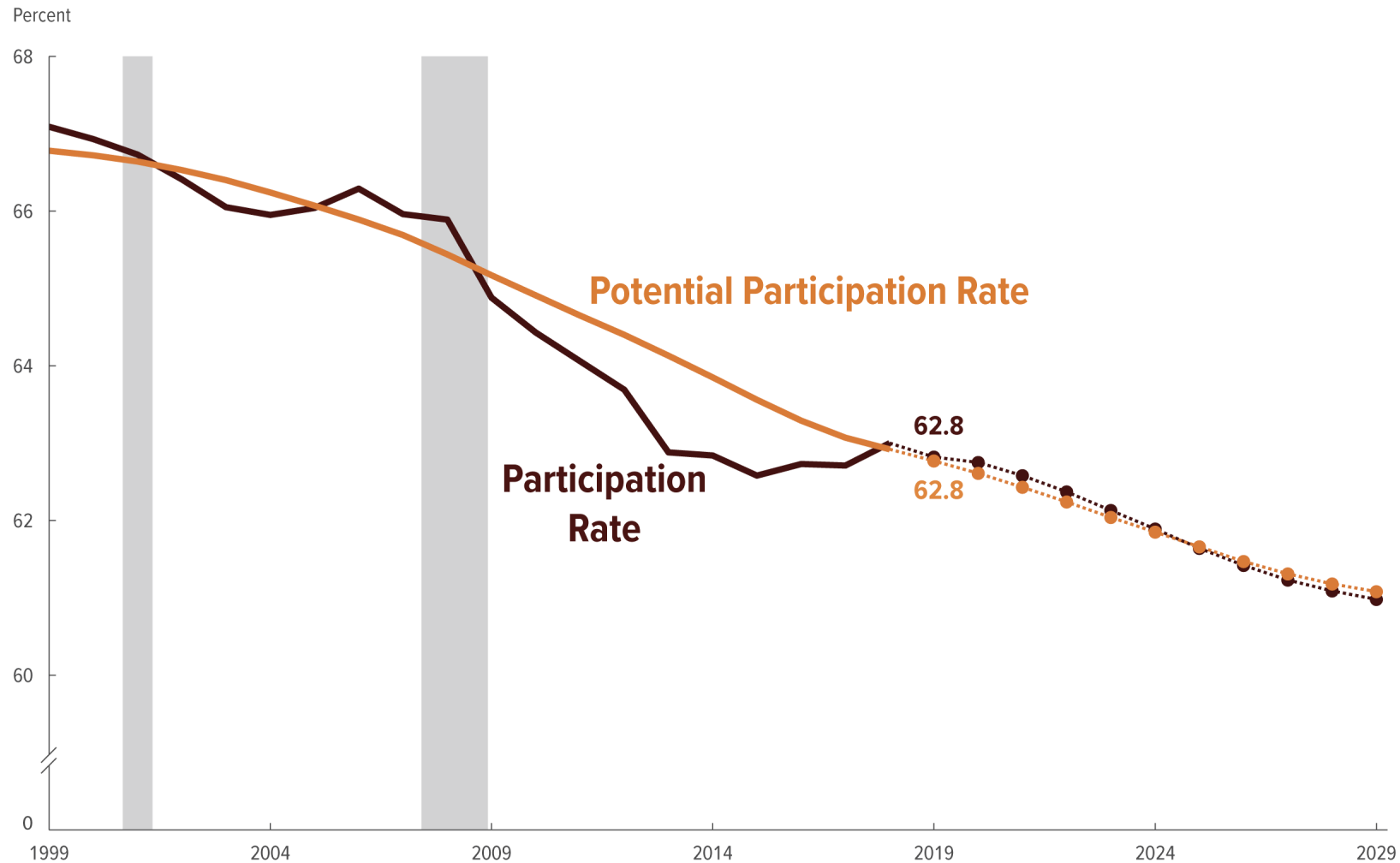


The heightened demand for goods and services this year increases the demand for labor, pushing employment further above its maximum sustainable amount, thereby increasing the employment gap. After this year, the gap shrinks and eventually reaches its long-term value.



The unemployment rate falls further below CBO's estimate of the natural rate this year, but then it rises as growth in the demand for labor slows. The unemployment rate reaches its historical relationship with the natural rate by the end of the projection period.

Shaded vertical bars indicate periods of recession.



CBO expects the demand for labor to keep the labor force participation rate above the agency's estimate of the potential rate for the next few years.

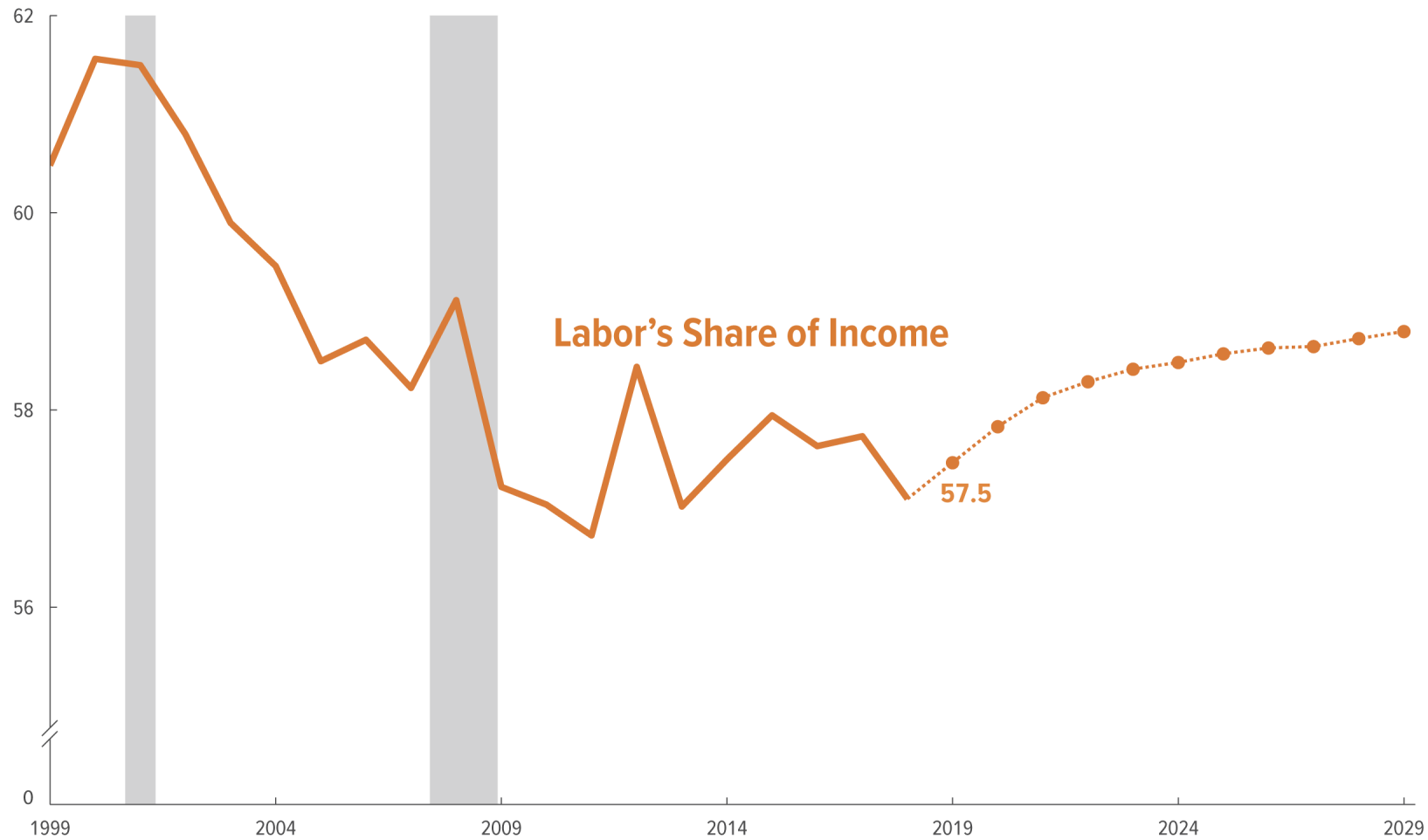
Shaded vertical bars indicate periods of recession.



In CBO's projections, the growth in wages increases over the next two years. Growth is slower in later years, reflecting slower growth in the demand for labor.

Shaded vertical bars indicate periods of recession.

Percentage of Gross Domestic Product

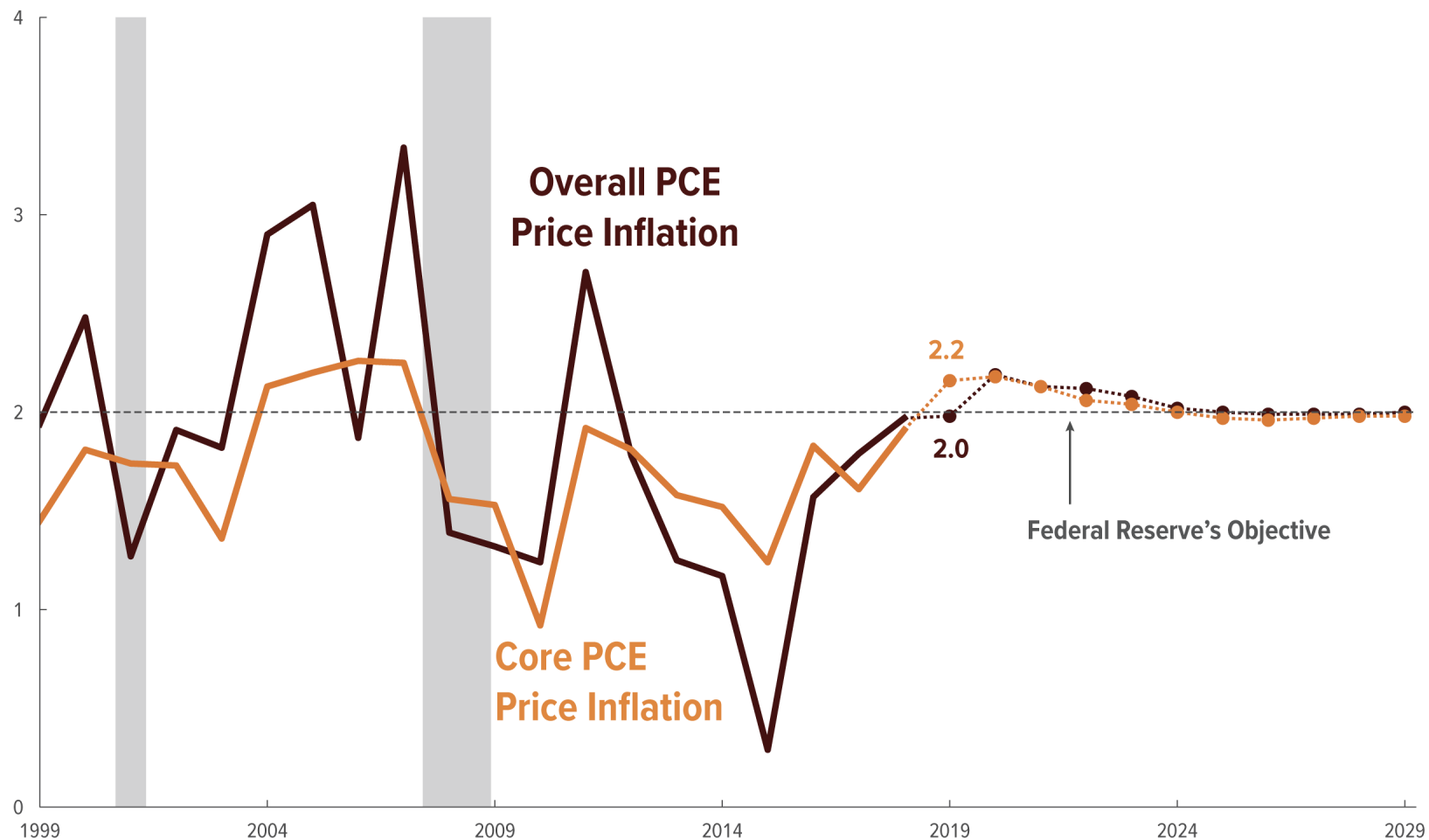


Labor's share of income rises after 2018 in CBO's projections because wages and salaries are projected to grow more quickly than other kinds of income.

Shaded vertical bars indicate periods of recession.

# **Inflation and Interest Rates**

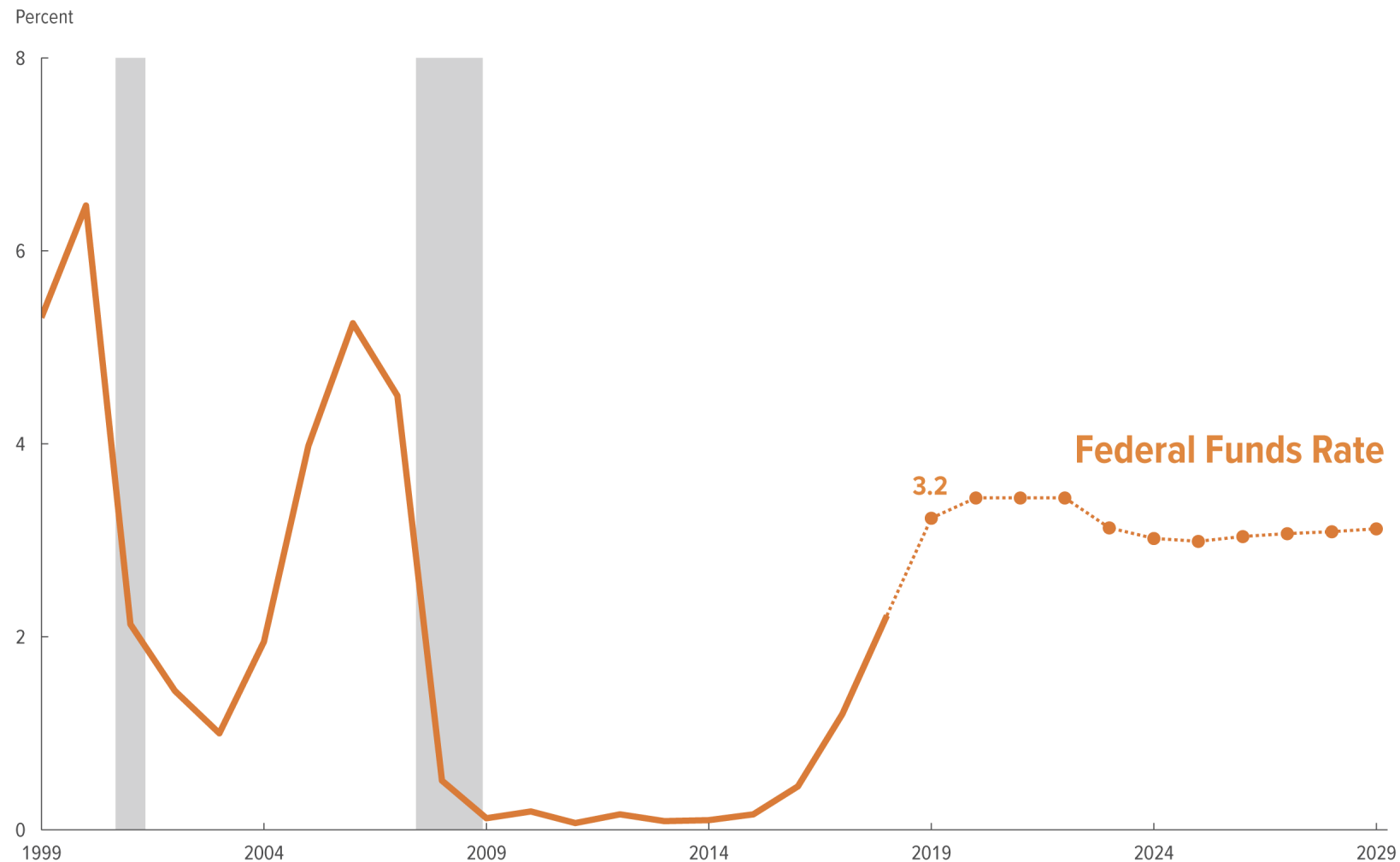
Percentage of Gross Domestic Product



Strong demand for goods, services, and labor pushes inflation slightly above the Federal Reserve's objective of 2 percent over the next several years in CBO's projections.

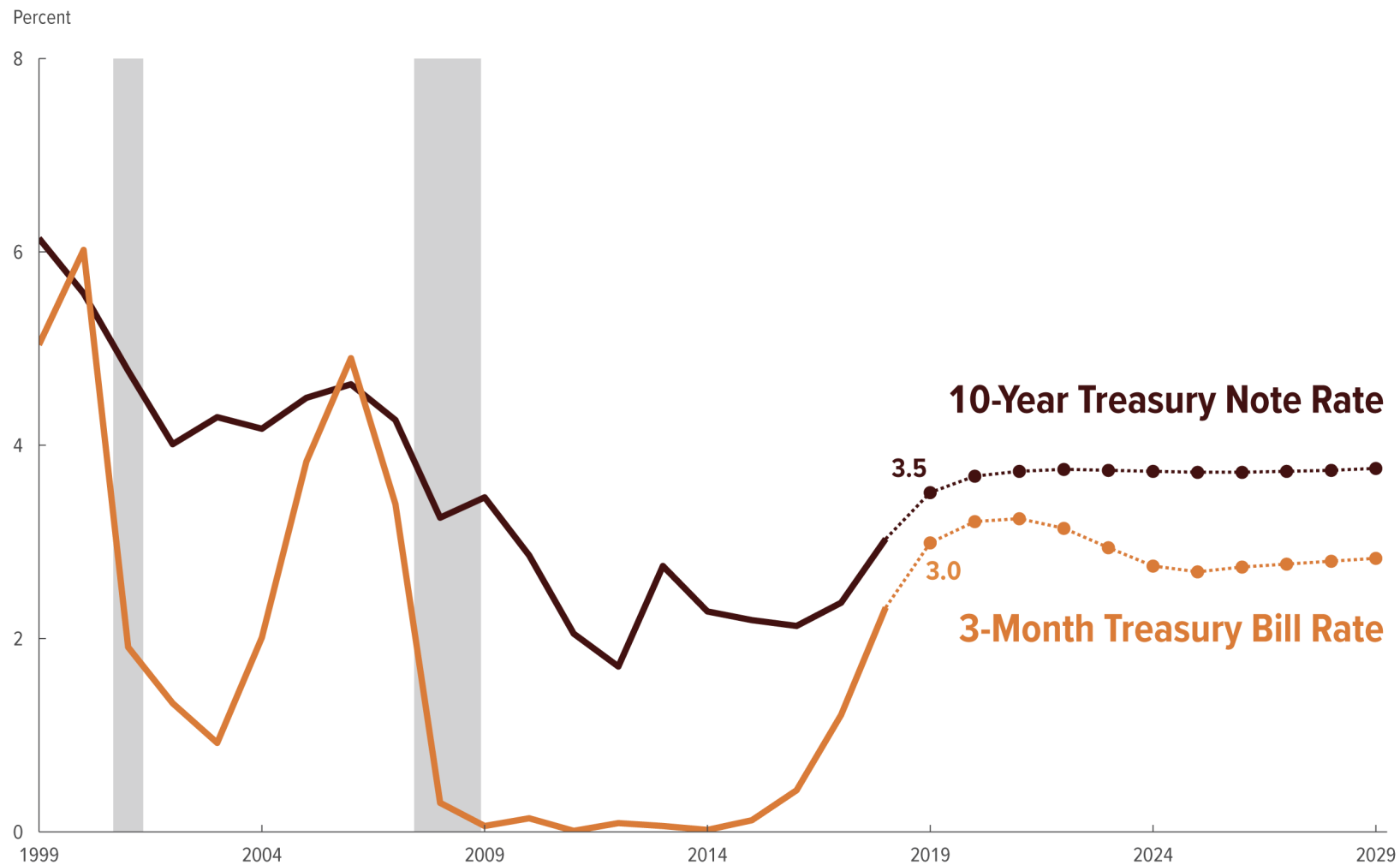
Shaded vertical bars indicate periods of recession. PCE = personal consumption expenditures.





CBO expects the Federal Reserve to continue to increase the federal funds rate through the end of 2019 in response to the widening output gap and mounting inflationary pressures.

Shaded vertical bars indicate periods of recession.

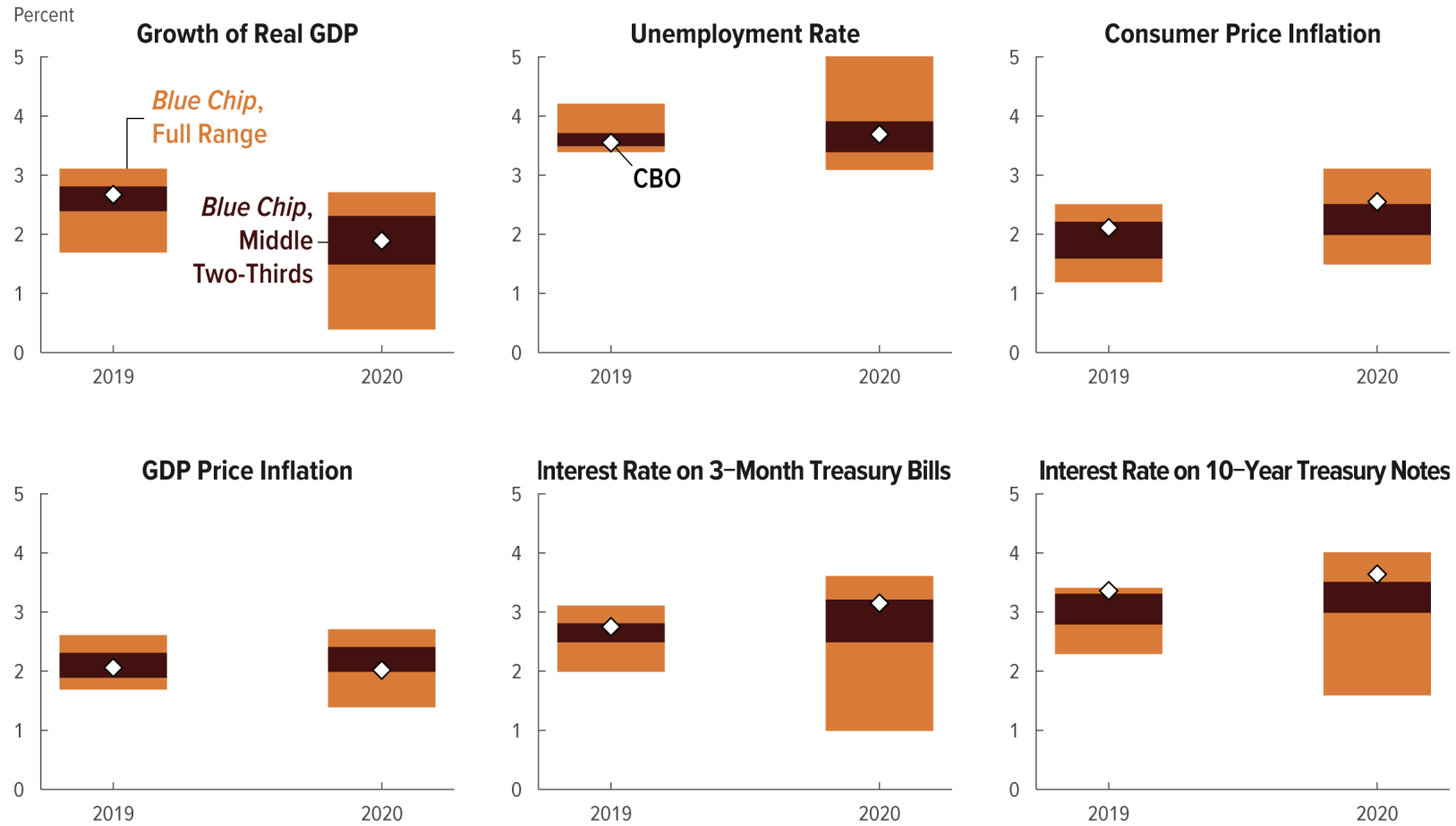


The increase in the federal funds rate and a rising term premium contribute to higher interest rates on Treasury securities.

Shaded vertical bars indicate periods of recession.

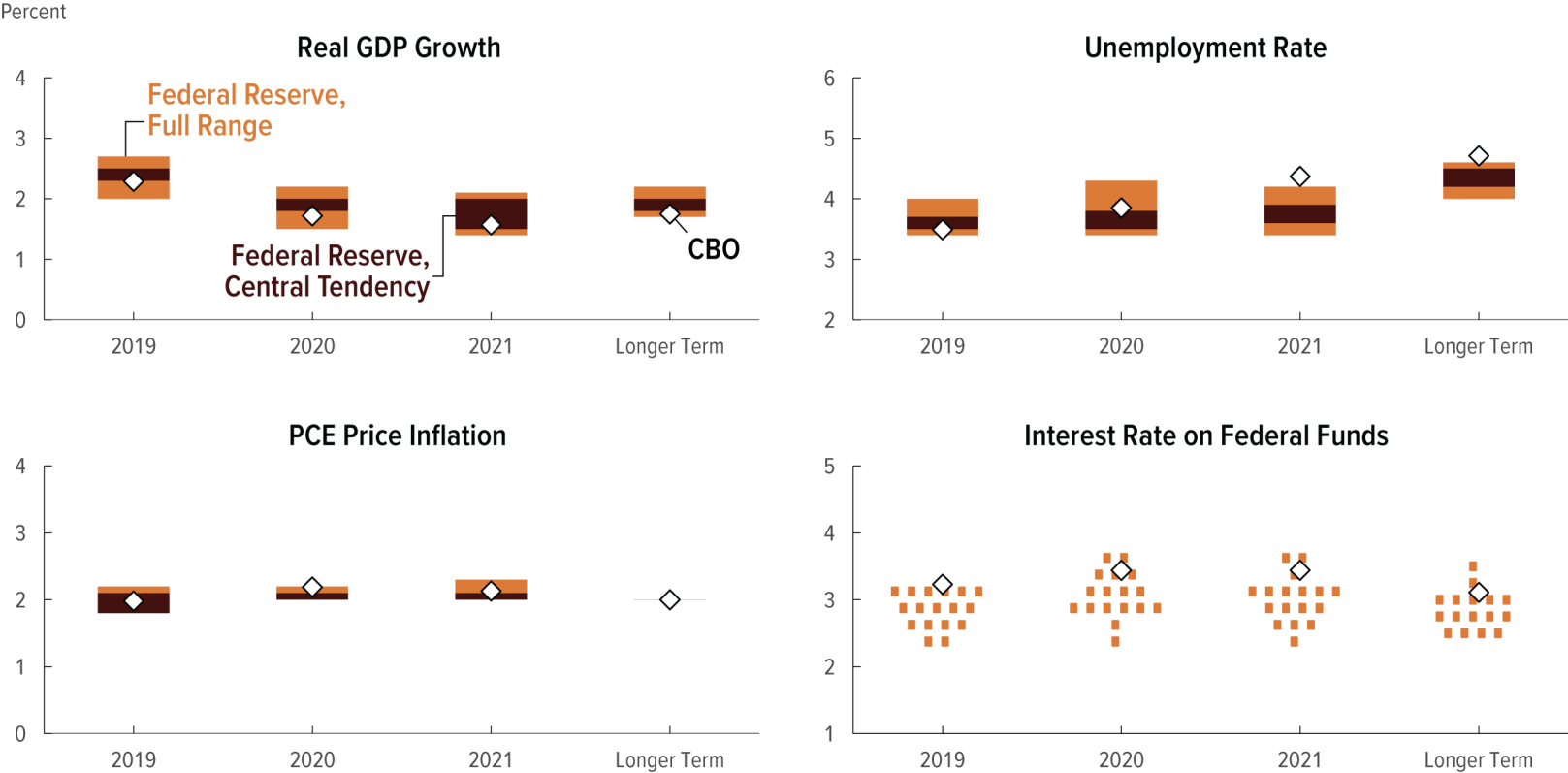
# **Comparisons With Other Forecasts**

## Comparison of CBO's Economic Projections With the *Blue Chip* Survey



CBO's forecasts for the next two years are broadly similar to those in the *Blue Chip* survey.

# Comparison of CBO's Economic Projections With Projections Made by Federal Reserve Officials



CBO's projections generally reflect slightly slower GDP growth and higher unemployment rates and federal funds interest rates than many of the projections made by Federal Reserve officials.

# About This Document

These slides were prepared by Nabeel Alsalam, Kim Kowalewski, Casey Labrack, and Jeffrey Schafer.

For more details about CBO's economic projections as well as the agency's most recent budget projections, see *The Budget and Economic Outlook: 2019 to 2029* (January 2019), [www.cbo.gov/publication/54918](https://www.cbo.gov/publication/54918). That report was the result of work by many analysts at CBO.